Professor Thomas Cooke
61 Beverly Road
West Hartford, CT
cookedemographics@gmail.com
cookedeomographics.com

Dear Senator Fonfara, Representative Horn, Ranking Members Martin and Cheeseman, Vice Chairs Miller, Moore, and Farrar and the Honorable members of this committee. My name is Thomas Cooke, and I am from West Hartford, CT. I am a Professor Emeritus of Geography at the University of Connecticut and Owner and Principal of Cooke Demographics. I have published numerous of articles regarding American migration and taught for of 25 years at University Connecticut. In the coming weeks A Better Connecticut Institute will be publishing a report I wrote regarding Millionaire Tax Migration Myth.

Connecticut continues to rank at, or near the top, of all states across most metrics of wealth and income. Nonetheless, there is a powerful narrative, built on faulty data and anecdotes, that wealthy and high-income residents are fleeing the state due to the cost of living, taxes, and public finances. The truth about current American migration is that while 13% of adults are “definitely” planning to move, only 14% of them (that is, 14% of 13%) move. The disconnect between moving intentions and actual migration applies as well to second-hand reports that the handful of billionaires in the state would move if marginal tax rates were increased. In this regard, “talk is cheap”; people across the income spectrum frequently consider moving but, in fact, less than 2% of Americans move from one state to another – including billionaires.

The narrative of "income migration" relies heavily on flawed Survey of Income (SOI) data from the IRS. The SOI details the number of tax returns, the number of dependents, and total adjusted gross income (AGI) by state with further detail for those who moved into or out of state over the previous year. This data is further broken down by income level (the top level being $200,000) and age of the primary taxpayer. Estimates of state "income migration" are then made by comparing the income earned over the previous year for migrants relative to non-migrants.

The concept of "income migration" itself is suspect. First, when discussing income migration, it is essential to note that for most workers, there is no such thing as income migration. While remote work is increasing, most workers remain tied to a physical place of work or must live near a home office. When they move, they must change employers or at least change jobs within the same organization. Since their job does not move with them, the income associated with their previous job also does not move with them. Second, while the IRS SOI covers 97% of the US population, it does not represent that population. Most significantly, the SOI excludes recent immigrants. Immigrants are a significant source of income for Connecticut since immigrants to Connecticut are, on average, relatively well-educated and concentrated in high-wage occupations. These two errors – counting the income of recent retiree migrants as if they had been working in their new state the whole year and excluding the income of recent immigrants – understates income in-migration and overstates income out-migration for Connecticut.

Our recommendation is to ignore IRS SOI data, non-representative data such as moving van data, and anecdotes such as billionaire threats to move for public policy in Connecticut, to rely on peer-reviewed studies which have used better data and methods, and to develop the capacity in the executive branch to analyze individual-level administrative data on migration by income levels. The most reliable studies take a longitudinal approach by comparing migration into and out of a state before and after a change in tax policy. A good example is a recent study comparing migration into and out of Connecticut before and after the start of Connecticut's income tax in 1991. In this case, the implementation of the income tax caused a decline in net migration by just 580 people out of Connecticut's total population of about 3.3 million people in the early 1990s. The 1991 income tax effectively did not affect migration into or out of Connecticut.

Cornell Sociologist Cristobal Young, along with colleagues at the US Department of Treasury and Stanford University, has taken a similar approach but focused explicitly on high-income individuals (~$1m of income a year) and how migration into and out of states was affected by increases in top marginal tax rates in California which added a 1% surcharge on income over $1m in 2005 , New Jersey which increased the maximum marginal tax rate from 6.37% to 8.97% in 2004 on income over $500,000 , and nationally using individual-level administrative data .

They found Income taxes have only a tiny impact on millionaires' moves. Florida's the only state for which there's any evidence that low taxes even slightly attract millionaires. There's no effect for any other states without income taxes, such as Texas, Tennessee, and New Hampshire. Millionaire business owners are even *less* likely than other millionaires to move in response to interstate differences in income taxes. Millionaires also tend to move to states with high residential land prices. This is a significant result, as it shows that the cost of living is not a significant factor in the location choices of millionaires.

Young concludes that ". . .elites are embedded in the regions where they achieve success, and they have limited interest in moving to procure tax advantages" because ". . . most millionaires are at their peak years of earnings and are drawing on long personal investments in a career or business line from which they cannot easily migrate away. Income-earning capacity derives not just from individual talent and human capital (which is movable) but also from place-based social capital— social and business connections to colleagues, collaborators, funders, and co-founders."[i]

While economics certainly matter in moving - people both need a source of income and are likewise affected by the cost of living wherever they live – the modern view is that migration is a complex decision focused on the tradeoffs between stage in the life course, lifestyle, quality of life, and economic factors. This housing effect contradicts rhetoric about Connecticut's rising cost of living and declining quality of life. Access to mountains and sea, four seasons, proximity to New York and Boston, the New England landscape, and high-quality schools and public services matter to many people. This fact should not be discounted in making public policy. The net loss of population for college and retirement are important examples of how migration is a tradeoff between stages in the life course, lifestyle, quality of life, and cost of living. At various times in the life course, Connecticut is an attractive destination, and at other periods it is not. Positive net migration for family and housing reasons reflects the attraction of Connecticut for working-age adults with families. Negative net migration for retirees and college students reflects that Connecticut is not a desirable state to retire in and that it has relatively few college opportunities relative to its size and is near education opportunities in other states.[ii]

____

Dr. Cooke is a Demographic Consultant and Professor Emeritus of Geography at the University of Connecticut. He has published nearly one hundred peer-reviewed journal articles on the causes and consequences of migration within the United States in leading social science journals. He is a Fulbright Scholar and the recipient of the Research Excellence Award in Population Geography by the American Association of Geographers. While at UConn, he directed the Urban Studies program, the Center for Population Research, and Connecticut's US Census Data Center. He currently works as a demographic consultant providing regional, municipal, and school district population projections that depict future populations under different scenarios, such as climate change and new residential development projects.

[i] Young C, Varner C, Lurie IZ, Prisinzano R. Millionaire migration and taxation of the elite: Evidence from administrative data. American Sociological Review. 2016 Jun;81(3):421-46.
[ii] Cooke TJ, Boyle P. The migration of high school graduates to college. Educational Evaluation and Policy Analysis. 2011 Jun;33(2):202-13.